Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Twelve Funds of the Direxion Shares ETF Trust II under NYSE Arca Equities Rule 8.200

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”) and Rule 19b-4 thereunder, notice is hereby given that, on September 5, 2012, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I.  Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade shares of twelve funds of the Direxion Shares ETF Trust II under NYSE Arca Equities Rule 8.200, Commentary .02. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places

specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NYSE Arca Equities Rule 8.200, Commentary .02 permits the trading of Trust Issued Receipts (“TIRs”) either by listing or pursuant to unlisted trading privileges (“UTP”).3 The Exchange proposes to list and trade the shares (“Shares”) of the following pursuant to NYSE Arca Equities Rule 8.200: Direxion Daily Gold Bear 1X Shares; Direxion Daily Gold Bull 3X Shares; Direxion Daily Gold Bear 3X Shares; Direxion Daily Silver Bear 1X Shares; Direxion Daily Silver Bull 3X Shares; Direxion Daily Silver Bear 3X Shares; Direxion Daily Japanese Yen Bull 3X Shares; Direxion Daily Japanese Yen Bear 3X Shares; Direxion Daily Dollar Bull 3X Shares; Direxion Daily Dollar Bear 3X Shares; Direxion Daily Euro Bull 3X Shares; and Direxion Daily Euro Bear 3X Shares (each a “Fund” and, collectively, “Funds”).4 All Funds except for the Direxion Daily Gold Bear 1X Shares and Direxion Daily Silver Bear 1X Shares are also referred to herein as “Leveraged Funds,” and the Direxion Daily Gold Bear 1X Shares and Direxion Daily Silver Bear 1X Shares are also referred to herein as “Bear 1X Funds.”

3 Commentary .02 to NYSE Arca Equities Rule 8.200 applies to TIRs that invest in “Financial Instruments.” The term “Financial Instruments,” as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars, and floors; and swap agreements.

4 See Pre-Effective Amendment No. 1 to Form S-1, dated October 13, 2010 (“Registration Statement”) (File No. 333-168227). The description of the Funds and the Shares contained herein is based, in part, on the Registration Statement.

5 Terms relating to the Funds and the Shares referred to, but not defined, herein are defined in the Registration Statement.
Each Leveraged Fund seeks a multiple or inverse multiple (plus or minus 300%) of the return (before fees and expenses) of its target benchmark commodity or currency on a given day. The Leveraged Funds seek to provide daily leveraged investment results, before fees and expenses, which correspond to the performance of an underlying benchmark commodity or currency.

Each Bear 1X Fund seeks -100% of the return (before fees and expenses) of its target benchmark commodity on a given day. The Bear 1X Funds seek to provide daily investment results, before fees and expenses, which inversely correspond to the performance of an underlying benchmark commodity.

The Exchange notes that the Commission has previously approved other issues of TIRs, including leveraged TIRs, for listing and trading on the American Stock Exchange LLC (“Amex”), trading on NYSE Arca pursuant to UTP, and listing and trading on NYSE Arca. In addition, the Commission has approved the listing and trading of other exchange-traded fund-like products linked to the performance of underlying commodities and currencies.

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Overview of the Funds

The Shares will be issued by Direxion Shares ETF Trust II (“Trust”), a Delaware statutory trust. Direxion Asset Management, LLC will be the sponsor (“Sponsor”) for the Trust. The Bank of New York Mellon (“Administrator”) will serve as the Funds’ transfer agent, administrator and custodian. Foreside Fund Services, LLC (“Distributor”), will serve as the distributor of the Shares.

According to the Registration Statement, the Leveraged Funds will seek daily leveraged investment results and are intended to be used as short-term trading vehicles. The Leveraged Funds with the word “Bull” in their name (collectively, “Leveraged Bull Funds”) will attempt to provide daily leveraged investment results (before fees and expenses) that correlate positively to three times (300%) the daily return of a target benchmark, meaning a Leveraged Bull Fund will attempt to move in the same direction as the target benchmark. The Leveraged Funds with the word “Bear” in their name (collectively, “Leveraged Bear Funds”) will attempt to provide daily leveraged investment results (before fees and expenses) that correlate to the inverse (opposite) of three times the return of a target benchmark, meaning that the Leveraged Bear Funds will attempt to move in the opposite or inverse direction of the target benchmark.

The Bear 1X Funds will attempt to provide daily investment results (before fees and expenses) that correlate to the inverse (opposite) of the return of a target benchmark commodity, meaning that the Bear 1X Funds will attempt to move in the opposite or inverse direction of a target benchmark commodity.

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Trust; and iShares GS Commodity Non-Energy Indexed Trust); 56932 (December 7, 2007), 72 FR 71178 (December 14, 2007) (SR-NYSEArca-2007-112) (order granting accelerated approval to list and trade iShares S&P GSCI Commodity-Indexed Trust); and 59895 (May 8, 2009), 74 FR 22993 (May 15, 2009) (SR-NYSEArca-2009-40) (order granting accelerated approval to list and trade the ETFS Gold Trust).
Principal Investment Strategies

According to the Registration Statement, in seeking to achieve each Fund’s daily investment objective, the Sponsor will use statistical and quantitative analysis to determine the investments each Fund makes and the techniques it employs. Using this approach, the Sponsor will determine the type, quantity and mix of investment positions that the Sponsor believes in combination should produce daily returns consistent with a Fund’s objective. The Sponsor will rely upon a pre-determined model to generate orders that result in repositioning each Fund’s investments in accordance with its daily investment objective. As a consequence, if a Fund is performing as designed, the return of the applicable benchmark (as discussed below) will dictate the return for that Fund. Each Fund will pursue its investment objective regardless of market conditions and will not take defensive positions.

As described in the Registration Statement, each of the Direxion Daily Gold Bear 1X Shares, Direxion Daily Gold Bull 3X Shares and Direxion Daily Gold Bear 3X Shares (collectively, “Gold Funds”) and Direxion Daily Silver Bear 1X Shares, Direxion Daily Silver Bull 3X Shares and Direxion Daily Silver Bear 3X Shares (collectively, “Silver Funds,” and collectively with the Gold Funds, “Commodity Funds”) will seek to achieve its investment objective by investing in futures contracts related to its benchmark commodity. As such, the Gold Funds will invest in gold futures contracts traded on the Commodity Exchange, Inc. (“COMEX,” an affiliate of the CME Group, Inc. (“CME”)) (“Gold Futures Contracts”), and the Silver Funds will invest in silver futures contracts traded on COMEX (“Silver Futures Contracts,” and, collectively with Gold Futures Contracts, “Commodity Futures Contracts”).

Gold and Silver Futures Contracts traded on COMEX are the global benchmark contracts and most liquid futures contracts in the world for each respective commodity. As of March 15, 2012, open interest in Gold Futures Contracts and Silver Futures Contracts
For each of the Commodity Funds, in the event position limits or position accountability levels are reached with respect to the applicable Commodity Futures Contracts, or if trading of such Commodity Futures Contracts is suspended due to price fluctuation limits being reached or if the CME imposes any other suspension or limitation on trading in a Commodity Futures Contract, the Sponsor may, in its commercially reasonable judgment, cause the Commodity Funds to obtain exposure through cash-settled, exchange-traded options on Commodity Futures Contracts, as applicable, and forward contracts, swaps, and other over-the-counter transactions that are based on the price of Commodity Futures Contracts, as applicable, if such instruments tend to exhibit trading prices or returns that correlate with any Commodity Futures Contract and will further the investment objective of such Commodity Fund (collectively, “Commodity Financial Instruments”).

The Gold Funds’ benchmark will be the daily last sale price occurring on or before 4:00 p.m. E.T. of a standard Gold Futures Contract for 100 troy ounces of gold, specified by the CME to be of a grade and quality that shall assay to a minimum of 995 fineness, as measured in U.S. Dollars and cents per troy ounce with a minimum fluctuation of $0.10 per troy ounce (“Gold Benchmark Futures Contract”). The Silver Funds’ benchmark will be the daily last sale price traded on the CME was $23.7 billion and $8.5 billion, respectively. Gold Futures Contracts and Silver Futures Contracts had an average daily trading volume in 2011 of 138,964 contracts and 63,913 contracts, respectively. The trading hours for the Gold Futures Contracts and Silver Futures Contracts are 8:20 a.m. until 1:30 p.m. Eastern Time (“E.T.”).

To the extent practicable, the Commodity Funds will invest in swaps cleared through the facilities of a centralized clearing house.

According to the Registration Statement, each Fund will enter into swap agreements and other over-the-counter transactions only with large, established and well capitalized financial institutions that meet certain credit quality standards and monitoring policies. Each Fund will use various techniques to minimize credit risk including early termination or reset and payment, using different counterparties and limiting the net amount due from any individual counterparty.
occurring on or before 4:00 p.m. E.T. of a standard Silver Futures Contract for 5,000 troy ounces of silver, specified by the CME to be at a grade and quality that shall assay to a minimum of 999 fineness, as measured in U.S. Dollars and cents per troy ounce with a minimum fluctuation of $0.10 per troy ounce (“Silver Benchmark Futures Contract”). For both the Gold Benchmark Futures Contract and the Silver Benchmark Futures Contract, the last sale price value will be calculated as the last sale price published by the CME on or before 4:00 p.m. E.T. for the current active month Commodity Futures Contract. The last sale price and benchmark valuation may reflect trades occurring and published by the CME outside the normal trading session for the applicable Commodity Futures Contract.


By way of example, with respect to the Direxion Daily Gold Bull 3X Shares, pursuant to the Fund’s investment strategy, in the event position limits or position accountability levels are reached with respect to the Gold Benchmark Futures Contract, or if trading of the Gold Benchmark Futures Contract is suspended due to price fluctuation limits being reached or if the CME imposes any other suspension or limitation on trading, the Sponsor may cause the Fund to obtain exposure through cash-settled, exchange-traded options on the Gold Benchmark Futures Contract and forward contracts, swaps and other over-the-counter transactions that are based on the price of the Gold Benchmark Futures Contract if such instruments tend to exhibit trading prices or returns that correlate with any Gold Benchmark Futures Contract and will further the investment objective of the Fund. Thus, for example, if the Fund were to have $7 million in net assets, the Sponsor would seek to obtain $21 million in exposure to the price of gold and would invest in Gold Futures Contracts directly and, if the Fund reaches a point where position limits or accountability levels in Gold Futures Contracts become applicable, in cleared long swap positions, as practicable in the Sponsor’s commercially reasonable judgment, or general swaps referencing the Gold Futures Contracts. The particular ratio of Gold Futures Contracts and cash held would be dependent on the Sponsor’s view of what will best meet the investment objective of the Fund (i.e., 300% exposure to Gold Futures Contracts). Conversely, in the case of a Bear 1X Fund, the Sponsor will utilize short positions to similarly gain the target exposure.
collectively with the Yen Funds and Dollar Funds, “Currency Funds”) will seek to achieve its
investment objective by investing in futures contracts related to its benchmark currency. As
such, the Yen Funds will invest in Japanese Yen futures contracts traded on the CME (“Yen
Futures Contracts”), the Euro Funds will invest in Euro futures traded on the CME (“Euro
Futures Contracts”), and the Dollar Funds will invest in U.S. Dollar Index futures contracts
traded on the ICE Futures U.S. (“ICE”) (“Dollar Futures Contracts,” and, collectively with Yen
Futures Contracts and Euro Futures Contracts, “Currency Futures Contracts”).\textsuperscript{14} For each
Currency Fund except the Dollar Funds, which invest in futures contracts that do not have
position limits, accountability levels or price fluctuation limits, in the event position limits or
position accountability levels are reached with respect to the applicable Currency Futures
Contracts, or if trading of such Currency Futures Contracts is suspended due to price fluctuation
limits being reached or if the CME or ICE (with respect to the Dollar Funds), as applicable,
imposes any other suspension or limitation on trading in a Currency Futures Contract, the
Sponsor may, in its commercially reasonable judgment, cause the Currency Funds to obtain
exposure through cash-settled, exchange-traded options on Currency Futures Contracts, as
applicable, and forward contracts, swaps,\textsuperscript{15} and other over-the-counter transactions that are based
on the price of Currency Futures Contracts, as applicable, if such instruments tend to exhibit

\textsuperscript{14} The CME constitutes the largest regulated foreign exchange marketplace in the world,
with over $100 billion in daily liquidity. As of March 15, 2012, open interest in Euro
Futures Contracts and Yen Futures Contracts traded on the CME and, for Dollar Futures
Contracts, on the ICE, were $42.7 billion, $20.8 billion, and $4.8 billion, respectively.
Euro Futures Contracts, Yen Futures Contracts, and Dollar Futures Contracts had an
average daily trading volume in 2011 of 325,103, 106,824, and 27,258 contracts,
respectively. The trading hours for the Euro Futures Contracts and Yen Futures
Contracts are 8:20 a.m. until 3:00 p.m. E.T., and the trading hours for the Dollar Futures
Contracts are 8:00 p.m. E.T. until 5:00 p.m. E.T. the following day.

\textsuperscript{15} To the extent practicable, the Currency Funds will invest in swaps cleared through the
facilities of a centralized clearing house.
trading prices or returns that correlate with any Currency Futures Contract and will further the investment objective of such Currency Fund (collectively, “Currency Financial Instruments”).

The benchmark for the Yen Funds will be the last sale price occurring on or before 4:00 p.m. E.T. of a standard Yen Futures Contract for 12,500,000 Japanese Yen, priced in U.S. Dollars and traded on the CME (“Yen Benchmark Futures Contract”). The benchmark for the Euro Funds will be the last sale price occurring on or before 4:00 p.m. E.T. of a standard Euro Futures Contract for 125,000 Euro, priced in U.S. Dollars and traded on the CME (“Euro Benchmark Futures Contract”). For both the Yen Benchmark Futures Contract and Euro Benchmark Futures Contract, the last sale price value will be calculated as the last sale price published by the CME on or before 4:00 p.m. E.T. for the current active month Currency Futures Contract. The last sale price and benchmark valuation may reflect trades occurring and published by the CME outside the normal trading session for the applicable Currency Futures Contract.

The benchmark for the Dollar Funds will be the last sale price occurring on or before 4:00 p.m. E.T. of a standard Dollar Futures Contract for $1,000 times the U.S. Dollar Index value as measured in U.S. Dollars and traded on the ICE (“Dollar Benchmark Futures Contract” and, collectively with the Gold Benchmark Futures Contract, Silver Benchmark Futures Contract, Yen Benchmark Futures Contract, and the Euro Benchmark Futures Contract, “Benchmark Futures Contracts”). The U.S. Dollar Index indicates the general international value of the U.S. Dollar.\(^{16}\) The U.S. Dollar Index does this by geometrically weighting the

\(^{16}\) The U.S. Dollar Index was created by the U.S. Federal Reserve in 1973. Following the ending of the 1944 Bretton Woods Agreement, which had established a system of fixed exchange rates, the U.S. Federal Reserve Bank began the calculation of the U.S. Dollar Index to provide an external bilateral trade-weighted average of the U.S. Dollar as it freely floated against global currencies. Futures contracts based on the U.S. Dollar Index
exchange rates between the U.S. Dollar and six major world currencies. The U.S. Dollar Index consists of the following six currencies: Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, and Swiss Franc. The components and weightings are held constant, and have not changed since the introduction of the Euro. Because the U.S. Dollar Index is geometrically weighted, holding the individual currencies in their specified weights will not necessarily mimic U.S. Dollar Index moves. The last sale price for the Dollar Benchmark Futures Contract will be calculated using the last sale price published by the ICE on or before 4:00 p.m. E.T. for the current active month Dollar Futures Contract.

In seeking its investment objective, each Fund will invest in Commodity or Currency Futures Contracts, as applicable, including (but not limited to)\textsuperscript{17} the Fund’s related Benchmark Futures Contract, as well as Commodity or Currency Financial Instruments in certain circumstances. Assets of each Fund not invested in Commodity Futures Contracts, Currency Futures Contracts, or other Commodity Financial Instruments or Currency Financial Instruments, as applicable, will be held in cash or invested in cash equivalents and/or U.S. Treasury Securities or other high credit quality short-term fixed-income or similar securities (such as shares of money market funds, bank deposits, bank money market accounts, certain variable rate-demand

\footnote{\textsuperscript{17} were listed on November 20, 1985, and are now available only on the ICE electronic trading platform. Options on the futures contracts began trading on September 3, 1986, and are available both on the ICE electronic trading platform and on the ICE options trading floor.}

A Fund, in seeking to achieve its investment objective by investing in futures contracts related to its target benchmark, may be invested in futures contracts that are not the current active month futures contracts on which the Fund’s target benchmark is based. For example, if, on a date in September 2012, the current active month futures contract with respect to a target benchmark is December 2012, a Fund may have a portion of its assets in the October 2012 or February 2013 contracts. A Fund may use this flexibility, for example, in case of liquidity issues with respect to the applicable, current active month futures contracts or when deciding when to roll the Fund’s assets into the next current active month contract.
notes, and repurchase agreements collateralized by government securities, whether denominated in U.S. or the applicable foreign currency with respect to a Currency Fund) that serve as collateral for Commodity Futures Contracts, Currency Futures Contracts, and Commodity or Currency Financial Instruments, as applicable.

At the close of the U.S. equity markets each trading day, each Fund will position its portfolio to ensure that the Fund’s exposure to its benchmark is consistent with the Fund’s stated goals. The impact of market movements during the day will determine whether a portfolio needs to be repositioned. If the target benchmark has risen on a given day, a Leveraged Bull Fund’s net assets should rise, meaning their exposure may need to be increased. Conversely, if the target benchmark has fallen on a given day, a Leveraged Bull Fund’s net assets should fall, meaning their exposure may need to be reduced.

If a Leveraged Bull Fund is successful in meeting its objective, its value in a given day (before fees and expenses) should gain approximately three times as much on a percentage basis as its corresponding benchmark when the benchmark rises during a given day. Conversely, its value in a given day (before fees and expenses) should lose approximately three times as much on a percentage basis as the corresponding benchmark when the benchmark declines during a given day. Each Leveraged Bull Fund will acquire long exposure through investment in Commodity or Currency Futures Contracts, including (but not limited to) the applicable Benchmark Futures Contracts, and, once position limits or position accountability levels are reached, trading of such Commodity or Currency Futures Contracts is suspended due to price fluctuation limits being reached, or if the CME or ICE, as applicable, imposes any other suspension or limitation on trading in a Commodity or Currency Futures Contract, in Commodity Financial Instruments or Currency Financial Instruments, as applicable, such that each
Leveraged Bull Fund has approximately 300% exposure to the corresponding benchmark at the time of the net asset value ("NAV") calculation.

If a Leveraged Bear Fund is successful in meeting its objective, its value in a given day (before fees and expenses) should gain approximately three times as much on a percentage basis as its corresponding benchmark loses when the benchmark falls in a given day. Conversely, its value in a given day (before fees and expenses) should lose approximately three times as much on a percentage basis as the corresponding benchmark gains when the benchmark rises in a given day. Each Leveraged Bear Fund will acquire short exposure through investment in Commodity or Currency Futures Contracts, including (but not limited to) the applicable Benchmark Futures Contracts, and, once position limits or position accountability levels are reached, trading of such Commodity or Currency Futures Contracts is suspended due to price fluctuation limits being reached, or if the CME or ICE, as applicable, imposes any other suspension or limitation on trading in a Commodity or Currency Futures Contract, in Commodity Financial Instruments or Currency Financial Instruments, as applicable, such that each Leveraged Bear Fund has approximately -300% exposure to the corresponding benchmark at the time of the NAV calculation.

If a Bear 1X Fund is successful in meeting its objective, its value in a given day (before fees and expenses) should gain approximately an equal amount on a percentage basis as its corresponding benchmark when the benchmark falls in a given day. Conversely, its value in a given day (before fees and expenses) should lose approximately an equal amount on a percentage basis as the corresponding benchmark when the benchmark rises in a given day. Each Bear 1X Fund will acquire short exposure through investment in Commodity Futures Contracts, including (but not limited to) the applicable Benchmark Futures Contracts, and, once position limits or
position accountability levels, if applicable, are reached, trading of the Commodity Futures Contracts is suspended due to price fluctuation limits being reached, or if the CME imposes any other suspension or limitation on trading in a Commodity Futures Contract, a Bear 1X Fund may invest in Commodity Financial Instruments such that each Bear 1X Fund has approximately -100% exposure to the corresponding benchmark at the time of the NAV calculation.

In the event that trading of a Commodity or Currency Futures Contract is suspended due to price fluctuation limits being reached for that futures contract, or CME or ICE, as applicable imposes any other suspension or limitation on trading in a Commodity or Currency Futures Contract, the related Fund or Funds may be limited in their ability to seek their investment objective until trading resumes.

**Creation and Redemption of Shares**

Each Fund will create and redeem Shares in “Creation Unit” size of 50,000 Shares or aggregations thereof. Except when aggregated in Creation Units, the Shares are not redeemable securities. Shares may be created or redeemed only through authorized participants, as described in the Registration Statement.

On any day other than a day when any of the NYSE Arca, the NYSE, and, as applicable to the underlying benchmark, the CME, ICE, or COMEX (collectively, “Futures Exchanges”) is closed for regular trading (“Business Day”), an authorized participant may place an order with the Distributor to create one or more Creation Units. Purchase orders must be placed prior to 3:30 p.m. E.T. in order to avoid higher transaction fees, but in no instances may purchase orders be placed after 4:00 p.m. E.T., as described in the Registration Statement. Although trading in a Fund’s respective benchmark may continue beyond that time on any given trading day, the Sponsor has elected to require orders be placed prior to that time in order to facilitate efficient
operation of the Funds and give the Funds adequate time to reposition their portfolios, strike the NAV for the Funds and prepare the needed value and portfolio composition disclosures for the following Business Day’s trading. If a purchase order is received prior to the cut-off time, the day on which the Distributor receives a valid purchase order is the purchase order date. If the purchase order is received after the applicable cut-off time, the purchase order date will be the next day. Purchase orders are irrevocable. The total cash payment required to create each Creation Unit will be the NAV of 50,000 Shares of the applicable Fund on the purchase order date plus the applicable transaction fee.

The procedures by which an authorized participant can redeem one or more Creation Units will mirror the procedures for the creation of Creation Units. On any Business Day, an authorized participant may place an order with the Distributor to redeem one or more Creation Units. Redemption orders must be placed by 3:30 p.m. E.T. in order to avoid higher transaction fees, but in no instances may redemption orders be placed after 4:00 p.m. E.T. If a redemption order is received prior to the applicable cut-off time, the day on which the Distributor receives a valid redemption order is the redemption order date. If the redemption order is received after the applicable cut-off time, the redemption order date will be the next day. Redemption orders are irrevocable. The redemption proceeds from a Fund will consist of the cash redemption amount. The cash redemption amount will be equal to the NAV of the number of Creation Unit(s) of such Fund requested in the authorized participant’s redemption order as of the time of the calculation of such Fund’s NAV on the redemption order date, less transaction fees.

**Intraday Indicative Value (“IIV”)**

The IIV with respect to each Fund is an indicator of the value of the Commodity Futures Contracts and Currency Futures Contracts, as applicable; Commodity Financial Instruments and
Currency Financial Instruments, if any; and cash and receivables less liabilities of a Fund at the
time the IIV is disseminated. The IIV with respect to each Fund, updated every 15 seconds, will
be widely disseminated by one or more major market data vendors during the NYSE Arca Core
Trading Session.\textsuperscript{18} However, circumstances may arise in which the NYSE Arca Core Trading
Session is in progress, but trading in Commodity or Currency Futures Contracts is not occurring.
Such circumstances may result from reasons including, but not limited to, the CME or ICE, as
applicable, having a separate holiday schedule than the NYSE Arca, the CME, or ICE closing
prior to the close of the NYSE Arca, price fluctuation limits being reached in a Commodity or
Currency Futures Contract, or the CME or ICE, as applicable, imposing any other suspension or
limitation on trading in a Commodity or Currency Futures Contract. In such instances, the value
of the applicable Commodity or Currency Futures Contracts, as well as Commodity or Currency
Financial Instruments whose value is derived from the Commodity or Currency Futures
Contracts, held by the Funds would be static or priced by the Fund at the applicable early cut-off
time of the exchange trading the applicable Commodity or Currency Futures Contract.
Moreover, any cash held by the Funds for collateralization purposes will be invested in short
term treasury vehicles that do not have market exposure, such that their value would change
throughout the trading day. As such, during such periods, the disseminated IIV for the affected
Fund or Funds will be static.

The IIV should not be viewed as an actual real time update of the NAV because NAV is
calculated only once at the end of each trading day. The IIV also should not be viewed as a
precise value of the Shares.

\textsuperscript{18} Currently, it is the Exchange’s understanding that several major market data vendors
display and/or make widely available IIVs taken from the Consolidated Tape Association
(“CTA”) or other data feeds.
The value of a Share of a Fund may be influenced by non-concurrent trading hours between NYSE Arca and the Futures Exchanges. As a result, during periods when the NYSE Arca is open and one or more of the applicable futures exchanges is closed, trading spreads and the resulting premium or discount on the Shares may widen and, therefore, increase the difference between the price of the Shares and the NAV of the Shares.

According to the Registration Statement, dissemination of the IIV provides additional information that is not otherwise available to the public and may be useful to investors and market professionals in connection with the trading of Shares. Investors and market professionals will be able throughout the trading day to compare the market price of a Fund and the IIV. If the market price of Shares diverges significantly from the IIV, market professionals may have an incentive to execute arbitrage trades. Such arbitrage trades can tighten the tracking between the market price of a Fund and the IIV and thus can be beneficial to all market participants.

Availability of Information Regarding the Shares

The current trading price per Share of each Fund (quoted in U.S. Dollars) will be published continuously under its ticker symbol as trades occur throughout each trading day via CTA, Reuters and/or Bloomberg.

The website for the Funds and/or the Exchange, which are publicly accessible at no charge, will contain the following information: (a) the current NAV per Share daily and the prior Business Day’s NAV and the reported closing price; (b) the mid-point of the bid-ask price in relation to the NAV as of the time the NAV is calculated (“Bid-Ask Price”); (c) calculation of the premium or discount of such price against such NAV; (d) the Bid-Ask Price of Shares determined using the highest bid and lowest offer as of the time of calculation of the NAV; (e)
data in chart form displaying the frequency distribution of discounts and premiums of the Bid-Ask Price against the NAV, within appropriate ranges for each of the four (4) previous calendar quarters; (f) the prospectus; and (g) other applicable quantitative information.

The NAV means the total assets of a Fund including, but not limited to, all cash and cash equivalents or other debt securities less total liabilities of such Fund, each determined on the basis of generally accepted accounting principles in the United States, consistently applied under the accrual method of accounting. NAV will be calculated at 4:00 p.m. E.T. Additional information regarding calculation of NAV is included in the Registration Statement.

The NAV for each Fund will be calculated by the Administrator once a day and will be disseminated daily to all market participants at the same time. The Exchange also will disseminate on a daily basis via CTA information with respect to the recent NAV and Shares outstanding. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA.

The closing and daily settlement prices for the Commodity Futures Contracts and Currency Futures Contracts are publicly available on the website of the CME (www.cmegroup.com) and ICE (www.theice.com), as applicable. Intraday prices for the Commodity and Currency Futures Contracts, updated at least every 15 seconds, also are publicly available through major market data vendors. In addition, various data vendors and news publications publish futures prices and data. The Exchange represents that futures quotes and last sale information for the Commodity Futures Contracts and Currency Futures Contracts are widely disseminated through a variety of major market data vendors worldwide, including Bloomberg and Reuters. In addition, the Exchange further represents that complete real-time data for Commodity Futures Contracts and Currency Futures Contracts is available by
subscription from Reuters and Bloomberg. The applicable specific contract specifications for Commodity Futures Contracts and Currency Futures Contracts are also available from the CME and ICE websites referenced above, as well as other financial informational sources. Real-time dissemination of spot pricing for gold, silver, Yen, Euro, and currencies included in the U.S. Dollar Index is available on a 24-hour basis worldwide from various major market data vendors.

In addition, there is a considerable amount of foreign currency price and market information available on public websites and through professional and subscription services, including price information with respect to currencies included in the U.S. Dollar Index. In most instances, real-time information is only available for a fee, and information available free of charge is subject to delay (typically, 15 to 20 minutes). The U.S. Dollar Index value is disseminated every 15 seconds by major market data vendors during the Exchange’s Core Trading Session.

Complete real-time data for foreign currency futures and options prices traded on the CME and NASDAQ OMX PHLX (“PHLX”), respectively, are also available by subscription from information service providers. The CME and PHLX also provide delayed futures and options information on current and past trading sessions and market news free of charge on their respective websites. Pricing information for futures and options on futures on the U.S. Dollar Index is available from the ICE website and major market data vendors.

The value of the benchmarks, updated at least every 15 seconds during the NYSE Arca Core Trading Session, will be disseminated by one or more major market data vendors.

The Sponsor will publish the NAV of each Fund and the NAV per Share of each Fund daily.
The most recent end-of-day NAV of each Fund will be published under its own symbol as of the close of business by major market data vendors and on the Sponsor’s website. In addition, the most recent end-of-day NAV of each Fund will be published the following morning via the CTA.

The Funds will provide website disclosure of portfolio holdings daily and will include, as applicable, the names and value (in U.S. Dollars) of Commodity Futures Contracts and Currency Futures Contracts, as applicable; Commodity Financial Instruments and Currency Financial Instruments, if any; and the amount of cash and/or cash equivalents held in the portfolio of the Funds. This website disclosure of the portfolio composition of the Funds will occur at the same time as the disclosure by the Sponsor of the portfolio composition to authorized participants so that all market participants are provided portfolio composition information at the same time. Therefore, the same portfolio information will be provided on the public website as well as in electronic files provided to authorized participants. Accordingly, each investor will have access to the current portfolio composition of the Funds through the Funds’ website.

**Trading Rules**

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is $0.01, with the exception of securities that are priced less than $1.00 for which the MPV for order entry is $0.0001.
The trading of the Shares will be subject to NYSE Arca Equities Rule 8.200, Commentary .02(e), which sets forth certain restrictions on Equity Trading Permit ("ETP") Holders acting as registered Market Makers in TIRs to facilitate surveillance. See “Surveillance” below for more information.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in certain Shares. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in Commodity Futures Contracts, Currency Futures Contracts, Commodity Financial Instruments, and/or Currency Financial Instruments, as applicable, held by the Funds, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange’s “circuit breaker” rule19 or by the halt or suspension of trading of Commodity Futures Contracts, Currency Futures Contracts, Commodity Financial Instruments, and/or Currency Financial Instruments, as applicable. The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV, trading in the applicable Commodity or Currency Futures Contract for each Fund, or to trading in Currency or Commodity Financial Instruments, as described above, occurs for each Fund. If the interruption to the dissemination of the IIV, trading in the applicable Commodity or Currency Futures Contract for each Fund, or to trading in Currency or Commodity Financial Instruments, as applicable, persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition,

19 See NYSE Arca Equities Rule 7.12.
if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

The Funds will meet the initial and continued listing requirements applicable to TIRs in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto. The Exchange represents that, for the initial and continued listing of the Shares, the Funds must be in compliance with NYSE Arca Equities Rule 5.3 and Rule 10A-3 under the Act.20 A minimum of 100,000 Shares for each Fund will be outstanding as of the start of trading on the Exchange.

Surveillance

The Exchange intends to utilize its existing surveillance procedures applicable to derivative products, including TIRs, to monitor trading in the Shares. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The Exchange’s current trading surveillances focus on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. The Exchange is able to obtain information regarding trading in the Shares, the physical commodities or currencies underlying options, futures or options on futures through ETP Holders, in connection with such ETP Holders’ proprietary or customer trades which they effect through ETP Holders on any relevant market. The Exchange can obtain market surveillance information, including customer identity information, with respect to

transactions occurring on the Futures Exchanges, including transactions in cash-settled options on Commodity or Currency Futures Contracts, which are members of the Intermarket Surveillance Group (“ISG”).

The Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Suitability

Currently, NYSE Arca Equities Rule 9.2(a) (Diligence as to Accounts) provides that an ETP Holder, before recommending a transaction in any security, must have reasonable grounds to believe that the recommendation is suitable for the customer based on any facts disclosed by the customer as to its other security holdings and as to its financial situation and needs. Further, the rule provides, with a limited exception, that prior to the execution of a transaction recommended to a non-institutional customer, the ETP Holder must make reasonable efforts to obtain information concerning the customer’s financial status, tax status, investment objectives, and any other information that such ETP Holder believes would be useful to make a recommendation.

Prior to the commencement of trading, the Exchange will inform its ETP Holders of the suitability requirements of NYSE Arca Equities Rule 9.2(a) in an Information Bulletin. Specifically, ETP Holders will be reminded in the Information Bulletin that, in recommending transactions in the Shares, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer’s investment objectives, financial situation, needs, and any other information known by such ETP Holder.

For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the portfolio for the Funds may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.
Holder, and (2) the customer can evaluate the special characteristics, and is able to bear the financial risks, of an investment in the Shares. In connection with the suitability obligation, the Information Bulletin will also provide that ETP Holders must make reasonable efforts to obtain the following information: (1) the customer’s financial status; (2) the customer’s tax status; (3) the customer’s investment objectives; and (4) such other information used or considered to be reasonable by such ETP Holder or registered representative in making recommendations to the customer.

In addition, FINRA has implemented increased sales practice and customer margin requirements for FINRA members applicable to leveraged exchange-traded funds (which include the Shares) and options on leveraged exchange-traded funds, as described in FINRA Regulatory Notices 09-31 (June 2009), 09-53 (August 2009) and 09-65 (November 2009) (collectively, “FINRA Regulatory Notices”). ETP Holders that carry customer accounts will be required to follow the FINRA guidance set forth in these notices.

As disclosed in the Registration Statement, each Leveraged Fund will seek a multiple or inverse multiple (plus or minus 300%) of the return (before fees and expenses) of its target benchmark commodity or currency on a given day, and each Bear 1X Fund will seek -100% of the return (before fees and expenses) of its target benchmark commodity on a given day. Over a period of time in excess of one day, the cumulative percentage increase or decrease in the NAV of the Shares of a Fund may diverge significantly from a multiple or inverse multiple of the cumulative percentage decrease or increase in the relevant benchmark due to a compounding effect. The Exchange’s Information Bulletin regarding the Funds, described below, will provide information regarding the suitability of an investment in the Shares, as stated in the Registration Statement.
Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IIV will not be calculated or publicly disseminated; (2) except for the Dollar Funds, a static IIV may be disseminated between the close of trading of all applicable Commodity or Currency Futures Contracts on Futures Exchanges and the close of the NYSE Arca Core Trading Session; (3) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (4) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (5) how information regarding the IIV is disseminated; (6) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (7) trading information.

In addition, the Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Funds. The Exchange notes that investors purchasing Shares directly from the Funds will receive a prospectus. ETP Holders purchasing Shares from the Funds for resale to investors will deliver a prospectus to such investors. The Information Bulletin will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act.

The Information Bulletin will further advise ETP Holders that FINRA has implemented increased sales practice and customer margin requirements for FINRA members applicable to
leveraged exchange-traded funds (which include the Shares) and options on leveraged exchange-traded funds, as described in the FINRA Regulatory Notices.

In addition, the Information Bulletin will reference that the Funds are subject to various fees and expenses described in the Registration Statements. The Information Bulletin will also reference that the Commodity Futures Trading Commission has regulatory jurisdiction over the trading of futures contracts traded on U.S. markets.

The Information Bulletin will also disclose the trading hours of the Shares of the Funds and that the NAV for the Shares is calculated after 4:00 p.m. E.T. each trading day. The Bulletin will disclose that information about the Shares of the Funds is publicly available on the Funds’ website.

2. Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(5)\textsuperscript{22} that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via

\textsuperscript{22} 15 U.S.C. 78f(b)(5).
ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The intra-day futures prices, closing price and settlement prices of the Commodity or Currency Futures Contracts held by the Funds are also available from the COMEX, CME, ICE, automated quotation systems, published or other public sources, or on-line information services. Quotation and last-sale information for the Shares will be available via CTA. Each Fund’s total portfolio composition will be disclosed on the Funds’ website or another relevant website. Each of the Commodity Funds will seek to achieve its investment objective by primarily investing in Commodity Futures Contracts. For each of the Commodity Funds, in the event position limits or position accountability levels are reached with respect to the applicable Commodity Futures Contracts, or if trading of such Commodity Futures Contracts is suspended due to price fluctuation limits being reached or if the CME imposes any other suspension or limitation on trading in a Commodity Futures Contract, the Sponsor may, in its commercially reasonable judgment, cause the Commodity Funds to obtain exposure through cash-settled, exchange-traded options on Commodity Futures Contracts, as applicable, and forward contracts, swaps, and other over-the-counter transactions that are based on the price of Commodity Futures Contracts, as applicable, if such instruments tend to exhibit trading prices or returns that correlate with any Commodity Futures Contract and will further the investment objective of such Commodity Fund. Each of the Currency Funds will seek to achieve its investment objective primarily by investing in Currency Futures Contracts. For each Currency Fund (except the Dollar Funds), in the event position limits or position accountability levels are reached with respect to the applicable Currency Futures Contracts, or if trading of such Currency Futures Contracts is suspended due to price fluctuation limits being reached or if the CME or ICE (with respect to the Dollar Funds), as applicable, imposes any other suspension or limitation
on trading in a Currency Futures Contract, the Sponsor may, in its commercially reasonable judgment, cause the Currency Funds to obtain exposure through cash-settled, exchange-traded options on Currency Futures Contracts, as applicable, and forward contracts, swaps, and other over-the-counter transactions that are based on the price of Currency Futures Contracts, as applicable, if such instruments tend to exhibit trading prices or returns that correlate with any Currency Futures Contract and will further the investment objective of such Currency Fund. To the extent practicable, the Commodity Funds and Currency Funds will invest in swaps cleared through the facilities of a centralized clearing house. Each Fund will enter into swap agreements and other over-the-counter transactions only with large, established and well capitalized financial institutions that meet certain credit quality standards and monitoring policies. Each Fund will use various techniques to minimize credit risk including early termination or reset and payment, using different counterparties and limiting the net amount due from any individual counterparty. The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV, trading in the applicable Commodity or Currency Futures Contract for each Fund, or trading in Currency or Commodity Financial Instruments, as described above, occurs for each Fund. If the interruption to the dissemination of the IIV, trading in the applicable Commodity or Currency Futures Contract for each Fund, or to trading in Currency or Commodity Financial Instruments, as applicable, persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. The value of the benchmarks will be calculated and disseminated at least every 15 seconds during the NYSE Arca Core Trading Session. The Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares and that FINRA has implemented increased sales practice and customer...
margin requirements for FINRA members applicable to leveraged exchange-traded funds and options on leveraged exchange-traded funds, as described in the FINRA Regulatory Notices.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information is publicly available regarding the Funds and the Shares, thereby promoting market transparency. The NAV per Share will be calculated daily and made available to all market participants at the same time. One or more major market data vendors will disseminate for the Funds on a daily basis information with respect to the recent NAV per Share and Shares outstanding. The IIV with respect to each Fund, updated every 15 seconds, will be widely disseminated by one or more major market data vendors during the NYSE Arca Core Trading Session.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Funds’ holdings, IIV, and quotation and last-sale information for the Shares.
B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2012-102 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and
Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2012-102. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should
submit only information that you wish to make available publicly. All submissions should refer
to File Number SR-NYSEArca-2012-102 and should be submitted on or before [insert date
21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated
authority.\textsuperscript{23}

Kevin M. O’Neill
Deputy Secretary

\textsuperscript{23} 17 CFR 200.30-3(a)(12).